

# Tata Motors

## Decent acquisition but at a tough time

We believe that TML's acquisition is in the right direction in terms of levelling up on growth. However, while the timing has allowed them to acquire the company at reasonable valuations (2x EV/EBITDA vs global peers that are trading much higher), it is also at a time when all the three auto verticals of the business are under some sort of distress. Adding to this, the European CV market is going through a down cycle without any near-term visibility of return of business normalcy. While the company is familiar with the CV business, the European CV market may have its own vagaries, for which the company may have to go through a learning curve. We value the company on a SOTP basis for a target price of Rs 694; we maintain a REDUCE rating.

### Key details of the acquisition:

- A cash consideration of €14.1 per tendered share for Iveco Group N.V. (Iveco), excluding the defense business. Equates to a total value of €3.8bn.
- While Iveco shareholders will get an estimated extraordinary dividend of €5.5 to €6.0 for the defense business, if we add to it the tender offer of €14.1, we get a total exit value of €19.6 to €20.1 to existing Iveco shareholders, which is still a premium to the current market price of ~ €19.
- Iveco's largest shareholder, Exor N.V., has irrevocably committed to support the offer and tender its shareholding, representing ~ 27.06% of Iveco's common shares and 43.11% of all voting rights.
- The transaction is expected to close by Apr'26, subject to regulatory clearances, while the defense business sales are expected latest by Mar'26 end.
- There is a robust set of non-financial covenants for two years.

### Key highlights from the Tata Motors concall:

- Combined CV entity to be EPS-accretive in two years and the acquisition-related debt may be repaid in four years, for which it could consider monetizing non-core assets and raising equity.
- Management expects 30-40% of the acquisition funding to done via equity.
- It expects initial set of synergies from revenue, capex, operational expenses to free up at least 0.5% of consolidated CV entity revenue.
- It expects ROCE for the combined CV entity to be 20% over a period of time.
- TML to get access to futuristic technologies for powertrains, ADAS, SDV. Iveco to gain from TML's 'design to value' frugal engineering capability.

### Financial summary

YE Mar (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
JLR - Net Sales (£ mn)	28,995	28,961	28,059	31,289	35,456
JLR - EBIT (£ mn)	2,445	2,474	2073	2545	3,128
JLR - EBIT Margin %	8.4	8.5	7.4	8.1	8.8
Standalone - Sales	733,031	694,190	755,898	853,247	949,288
Standalone - EBITDA Margin	12.2	13.1	13.0	13.4	13.9
India PV - Sales	526,850	490,890	510,314	554,208	606,220
India PV - EBITDA Margin %	8.4	8.8	8.7	9.4	10.0

Source: Company, HSIE Research

### Valuation - SOTP

In INR mn	JLR	India CV	India PV	Value of Tata Tech stake	Total
EBITDA	527,398	118,973	54,379		
Multiple (x)	1.25	10.5	9.0		
EV	659,248	1,249,217	489,407		
Total Value	663,608	1,258,692	489,407		
<b>Total Value/Share (INR)</b>	<b>180</b>	<b>342</b>	<b>133</b>	<b>38</b>	<b>694</b>

Source: (1) Have added standalone net debt to India CV business, and assumed zero net debt for India PV business  
(2) Breakup may not add up to total because of rounding of numbers during representation

## REDUCE

CMP (as on 31 Jul 2025)	INR 667
Target Price	INR 694
NIFTY	24,768

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 694	INR 694
EPS %	FY27E 0.0	FY28E 0.0

### KEY STOCK DATA

Bloomberg code	TTMT IN
No. of Shares (mn)	3,682
MCap (INR bn) / (\$ mn)	2,452/27,989
6m avg traded value (INR mn)	10,035
52 Week high / low	INR 1,176/536

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.4	(7.0)	(42.4)
Relative (%)	2.2	(11.8)	(41.6)

### SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	42.58	42.57
FIs & Local MFs	17.14	17.19
FPIs	17.84	17.18
Public & Others	22.44	23.06
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

### Hitesh Thakurani

hitesh.thakurani@hdfcsec.com  
+91-22-6171-7350

### Shubhangi Kejriwal

shubhangi.kejriwal@hdfcsec.com  
+91-22-6171-7327

**Other highlights from the Tata Motors concall:**

- Iveco's CY24 non-defense revenue stood at €14.1bn, with EBIT margin of 6.3%.
- Iveco segmental revenue for CY24: Truck = €10.0bn, Bus = €2.6bn, Powertrain = €3.5bn.
- Iveco powertrain EBIT margin for CY24: Truck = 5.6%, Bus = 5.5%, Powertrain = 6.2%.
- The three mentioned business segments had CY24 FCF of €0.24bn and net cash of €1.6bn.
- Key market segmentation for Iveco is: Europe: 75%, South America: 12%, Rest of the world: 12%.
- Market share for Iveco truck is 11% in EU and LatAm. It is also the No.2 bus manufacturer in Europe, and fifth-largest engine manufacturer globally.
- TML has €3.8bn funding secured through bridge financing facility committed by Morgan Stanley and MUFG.
- Recently, Iveco has entered manufacturing of EV powertrain components like e-axle, BMS, and battery packs which are currently with imported NMC cells.
- It highlighted that the combined entity would leapfrog to the No.4 position globally in terms of CV market share, from No.6 position of TML currently.
- Strategy for the powertrain business is to be the last man standing in ICE and further unlock manufacturing, engineering, and procurement efficiency.
- The management highlighted the point that India and EU emission norms and standards are coming together, making it a good time for acquisition.
- Management compared the acquisition to the JLR acquisition and said that the Iveco acquisition is a lower risk and more steady business, while JLR had cash flow challenges when it was acquired.
- It acknowledged that while TML has an RoCE of 40%, it expects this to dilute in the combined entity, though it expects to bring it close to 20% over time.

## Financials

### Consolidated P&L

Year End (March) - INR mn	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	43,40,160	43,96,950	45,01,796	50,72,681	57,80,324
Growth (%)	25.5	1.3	2.4	12.7	14.0
Material Expenses	27,27,557	27,17,860	28,15,098	31,08,900	34,85,056
Employee Expense	4,19,900	4,77,670	5,04,201	5,47,850	6,06,934
Other Expenses	6,13,984	6,50,100	6,57,572	7,69,693	8,97,476
<b>EBITDA</b>	<b>5,78,719</b>	<b>5,51,320</b>	<b>5,24,925</b>	<b>6,46,239</b>	<b>7,90,857</b>
EBITDA Growth (%)	81.9	(4.7)	(4.8)	23.1	22.4
<b>EBITDA Margin (%)</b>	<b>13.33</b>	<b>12.54</b>	<b>11.66</b>	<b>12.74</b>	<b>13.68</b>
Depreciation	2,72,390	2,32,560	2,46,514	2,83,491	3,26,014
<b>EBIT</b>	<b>1,96,742</b>	<b>2,11,600</b>	<b>1,58,392</b>	<b>2,18,725</b>	<b>2,92,015</b>
Other Income (Including EO Items)	46,900	66,950	67,077	67,748	68,425
Interest	75,940	50,830	46,195	35,889	30,526
<b>PBT</b>	<b>1,67,702</b>	<b>2,27,720</b>	<b>1,79,274</b>	<b>2,50,584</b>	<b>3,29,915</b>
Total Tax	(40,240)	1,05,020	1,04,753	1,38,113	1,75,960
Minority Interest	2,921	(320)	(352)	(387)	(426)
<b>RPAT</b>	<b>2,10,864</b>	<b>1,22,380</b>	<b>74,170</b>	<b>1,12,084</b>	<b>1,53,529</b>
<b>Adjusted PAT</b>	<b>2,19,751</b>	<b>2,25,870</b>	<b>1,94,189</b>	<b>2,56,108</b>	<b>3,26,357</b>
APAT Growth (%)	2,952.6	2.8	(14.0)	31.9	27.4
<b>EPS</b>	<b>57.3</b>	<b>61.4</b>	<b>52.8</b>	<b>69.6</b>	<b>88.7</b>
EPS Growth (%)	2,950.7	7.0	(14.0)	31.9	27.4

Source: Company, HSIE Research

### Consolidated Balance Sheet

Year End (March) - INR mn	FY24	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	7,665	7,360	7,360	7,360	7,360
Other Equity	8,41,515	11,54,080	13,18,829	15,38,136	18,18,493
<b>Total Shareholders' Funds</b>	<b>8,49,180</b>	<b>11,61,440</b>	<b>13,26,189</b>	<b>15,45,496</b>	<b>18,25,853</b>
Long Term Debt	6,21,485	4,02,170	2,61,411	1,69,917	1,10,446
Short Term Debt	3,63,516	2,22,820	2,00,538	2,12,570	2,25,324
<b>Total Debt</b>	<b>9,85,001</b>	<b>6,24,990</b>	<b>4,61,949</b>	<b>3,82,487</b>	<b>3,35,770</b>
Net Deferred Taxes	11,434	16,690	16,690	16,690	16,690
Other Non-Current Liabilities	81,759	66,100	66,100	66,100	66,100
<b>TOTAL SOURCES OF FUNDS</b>	<b>19,27,374</b>	<b>18,69,220</b>	<b>18,70,927</b>	<b>20,10,773</b>	<b>22,44,413</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>12,04,252</b>	<b>11,48,020</b>	<b>13,21,248</b>	<b>14,78,092</b>	<b>15,93,021</b>
<b>Goodwill</b>	<b>8,603</b>	<b>8,950</b>	<b>8,950</b>	<b>8,950</b>	<b>8,950</b>
CWIP	3,56,984	6,58,060	6,77,802	6,98,136	7,19,080
Non-current Investments	87,178	84,570	93,027	1,02,330	1,12,563
<b>Total Non-current Assets</b>	<b>16,57,017</b>	<b>18,99,600</b>	<b>21,01,027</b>	<b>22,87,507</b>	<b>24,33,614</b>
Inventories	4,77,883	4,72,690	4,68,680	5,42,012	6,17,624
Debtors	1,69,518	1,32,480	1,72,672	1,94,569	2,21,711
<b>Cash &amp; Equivalents</b>	<b>4,58,067</b>	<b>4,08,340</b>	<b>5,23,558</b>	<b>5,63,879</b>	<b>7,45,644</b>
Other Current Assets	8,01,622	6,01,320	6,61,781	7,28,238	8,01,291
<b>Total Current Assets</b>	<b>19,07,090</b>	<b>16,14,830</b>	<b>18,26,691</b>	<b>20,28,698</b>	<b>23,86,270</b>
Creditors	8,80,430	9,40,780	9,86,695	11,39,616	12,98,593
Other Current Liabilities & Provns	8,98,836	9,76,420	10,70,096	11,65,816	12,76,877
<b>Total Current Liabilities</b>	<b>17,79,266</b>	<b>19,17,200</b>	<b>20,56,790</b>	<b>23,05,432</b>	<b>25,75,470</b>
<b>Net Current Assets</b>	<b>1,27,824</b>	<b>(3,02,370)</b>	<b>(2,30,100)</b>	<b>(2,76,734)</b>	<b>(1,89,201)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>17,84,841</b>	<b>15,97,230</b>	<b>18,70,927</b>	<b>20,10,773</b>	<b>22,44,413</b>

Source: Company, HSIE Research

**Consolidated Cash Flow**

Year End (March) - INR mn	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	3,06,329	3,18,760	2,78,412	3,62,748	4,64,843
Non-operating & EO Items	56,440	63,280	67,077	67,748	68,425
Interest Expenses	75,940	50,830	46,195	35,889	30,526
Depreciation	2,72,390	2,32,560	2,46,514	2,83,491	3,26,014
Working Capital Change	(1,13,110)	2,51,010	3,14,938	86,955	94,232
Tax Paid	37,604	(99,764)	(1,04,753)	(1,38,113)	(1,75,960)
Others	(558)	(11,989)	-	-	-
<b>OPERATING CASH FLOW ( a )</b>	<b>6,35,035</b>	<b>8,04,687</b>	<b>8,48,382</b>	<b>6,98,718</b>	<b>8,08,080</b>
Capex	(4,88,274)	(5,84,911)	(5,59,503)	(6,04,691)	(6,34,716)
<i>Free Cash Flow (FCF)</i>	<i>1,46,762</i>	<i>2,19,776</i>	<i>2,88,879</i>	<i>94,027</i>	<i>1,73,364</i>
Investments	1,76,613	2,608	(8,457)	(9,303)	(10,233)
<b>INVESTING CASH FLOW ( b )</b>	<b>(3,11,660)</b>	<b>(5,82,303)</b>	<b>(5,67,960)</b>	<b>(6,13,994)</b>	<b>(6,44,949)</b>
Debt Issuance/(Repaid)	(2,71,604)	(3,60,011)	(1,63,042)	(79,461)	(46,717)
Interest Expenses	(75,940)	(50,830)	(46,195)	(35,889)	(30,526)
<i>FCFE</i>	<i>(48,902)</i>	<i>(89,405)</i>	<i>1,72,032</i>	<i>50,454</i>	<i>1,57,174</i>
Change in net worth	1,01,428	1,04,480	(352)	(387)	(426)
Dividend	(22,995)	(22,080)	(29,440)	(36,800)	(46,000)
<b>FINANCING CASH FLOW ( c )</b>	<b>(2,69,111)</b>	<b>(3,28,441)</b>	<b>(2,39,028)</b>	<b>(1,52,537)</b>	<b>(1,23,669)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>54,264</b>	<b>(1,06,057)</b>	<b>41,394</b>	<b>(67,813)</b>	<b>39,463</b>
Opening cash	3,70,156	4,58,067	4,08,340	5,23,558	5,63,879
<b>Closing Cash &amp; Equivalents</b>	<b>4,24,420</b>	<b>3,52,010</b>	<b>4,49,734</b>	<b>4,55,745</b>	<b>6,03,342</b>

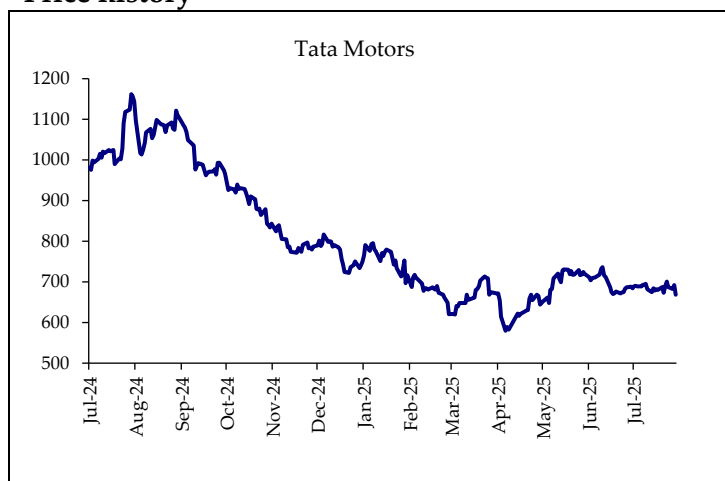
Source: Company, HSIE Research

**Ratios**

Year End (March)	FY24	FY25	FY26E	FY27E	FY28E
<b>PROFITABILITY (%)</b>					
GPM	37.2	38.2	37.5	38.7	39.7
EBITDA Margin (%)	13.3	12.5	11.7	12.7	13.7
EBIT Margin	4.5	4.8	3.5	4.3	5.1
PBT Margin	3.9	5.2	4.0	4.9	5.7
APAT Margin	5.1	5.1	4.3	5.0	5.6
RoE	33.7	22.5	15.6	17.8	19.4
RoIC (or Core RoCE)	17.7	9.1	5.2	7.0	9.3
RoCE	11.0	12.5	9.1	11.3	13.7
<b>EFFICIENCY</b>					
Tax Rate (%)	(24.0)	46.1	58.4	55.1	53.3
Fixed Asset Turnover (x)	1.3	1.3	1.2	1.2	1.3
Inventory (days)	40	39	38	39	39
Debtors (days)	14	11	14	14	14
Other Current Assets (days)	67	50	54	52	51
Payables (days)	74	78	80	82	82
Other Current Liab & Provns (days)	76	81	87	84	81
Cash Conversion Cycle (days)	(28)	(59)	(61)	(60)	(59)
Net D/E (x)	0.6	0.2	(0.0)	(0.1)	(0.2)
Interest Coverage (x)	2.6	4.2	3.4	6.1	9.6
<b>PER SHARE DATA (Rs)</b>					
EPS	57.3	61.4	52.8	69.6	88.7
CEPS	128.4	124.6	119.8	146.6	177.3
Dividend	6.0	6.0	8.0	10.0	12.5
Book Value	221.6	315.6	360.4	420.0	496.2
<b>VALUATION</b>					
P/E (x)	11.7	10.9	12.7	9.7	7.6
P/BV (x)	3.0	2.1	1.9	1.6	1.4
EV/EBITDA (x)	5.4	4.9	4.6	3.5	2.6
EV/Revenues (x)	0.7	0.6	0.5	0.5	0.4
OCF/EV (%)	20.5	29.9	35.2	30.5	39.2
FCF/EV (%)	4.7	8.2	12.0	4.1	8.4
FCFE/Mkt Cap (%)	(1.9)	(3.6)	7.0	2.0	6.4
Dividend Yield (%)	0.9	0.9	1.2	1.5	1.9

Source: Company, HSIE Research

## Price history



## Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

**Disclosure:**

We, **Hitesh Thakurani, MBA & Shubhangi Kejriwal, MSc** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

**Any holding in stock – NO**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: [customercare@hdfcsec.com](mailto:customercare@hdfcsec.com) Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

---

### **HDFC Securities**

#### **Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)